

Message Text

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STADIS////////////////////////////////////
FOR AMBASSADORS BUNKER AND LINOWITZ

E.O. 11652: GDS

TAGS: PFOR, PN

SUBJECT: CANAL TREATY FACTSHEET NO. 2

1. THE FOLLOWING IS THE LONGER SECOND FACTSHEET ABOUT THE
TREATY. URGENTLY REQUEST YOUR COMMENTS, CHANGES AND
CLEARANCES.

FACT SHEET. NEW PANAMA CANAL TREATY. PURPOSE. THE NEW
AGREEMENT ON THE PANAMA CANAL WILL PROVIDE AN ENTIRELY
NEW BASIS FOR COOPERATION BETWEEN THE UNITED STATES AND
PANAMA IN THE OPERATION AND DEFENSE OF THE PANAMA CANAL.
THIS AGREEMENT WILL REPLACE THE U.S.-PANAMA TREATY OF
1903, WHICH HAS GOVERNED CANAL OPERATIONS SINCE THE
WATERWAY'S CONSTRUCTION, AND SUBSEQUENT AMENDMENTS.

THE EXISTING SYSTEM. UNDER THE 1903 TREATY, THE U.S. HAS
TOTAL CONTROL OF CANAL OPERATIONS. THE U.S. ALSO ADMIN-
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ISTERS THE CANAL ZONE -- AN AREA OF PANAMANIAN TERRITORY
FIVE MILES WIDE ON EITHER SIDE OF THE CANAL. IN THIS
AREA WE HAVE "AS-IF-SOVEREIGN" RIGHTS IN PERPETUITY.
THIS ARRANGEMENT, WHICH WAS NOT INCONSISTENT WITH INTER-
NATIONAL STANDARDS WHEN THE 1903 TREATY WAS CONCLUDED, IS
CLEARLY OUT OF TUNE WITH THE TIMES TODAY. IT IS DEEPLY

RESENTED IN PANAMA AND A LIABILITY IN OUR RELATIONS WITH
LATIN AMERICA AND WITH MANY OTHER NATIONS OF THE WORLD.

BASIC U.S. OBJECTIVES: IN NEGOTIATING A NEW TREATY, THE UNITED STATES HAS PROCEEDED ON THE BASIS THAT THE U.S. NATIONAL INTEREST LIES IN ASSURING THAT THE CANAL CONTINUES TO BE EFFICIENTLY OPERATED, SECURE, NEUTRAL, AND OPEN TO ALL NATIONS ON A NON-DISCRIMINATORY BASIS. FUNDAMENTAL TO THIS OBJECTIVE IS THE COOPERATION OF PANAMA.

THE NEW AGREEMENT. THE NEW AGREEMENT WILL INCLUDE THE FOLLOWING PROVISIONS:

-- CANAL DEFENSE. THE UNITED STATES WILL HAVE PRIMARY RESPONSIBILITY FOR THE CANAL'S DEFENSE DURING THE TREATY'S TERM. PANAMA WILL PARTICIPATE. A STATUS OF FORCES AGREEMENT SIMILAR TO SUCH AGREEMENTS ELSEWHERE WILL COVER THE ACTIVITIES AND PRESENCE OF OUR MILITARY FORCES.

-- CANAL OPERATION. THE UNITED STATES WILL HAVE RESPONSIBILITY FOR CANAL OPERATIONS DURING THE TERM OF THE TREATY. IT WILL POSSESS ALL NECESSARY RIGHTS AND WILL ACT THROUGH A UNITED STATES GOVERNMENT AGENCY WHICH WILL REPLACE THE PANAMA CANAL COMPANY. A POLICY LEVEL BOARD OF FIVE AMERICANS AND FOUR PANAMANIAN WILL SERVE AS THE BOARD OF DIRECTORS. UNTIL 1990, THE CANAL ADMINIS-
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TRATOR WILL BE AN AMERICAN AND THE DEPUTY ADMINISTRATOR A PANAMANIAN. THEREAFTER, THE ADMINISTRATOR WILL BE PANAMANIAN AND THE DEPUTY, AMERICAN. PANAMANIAN BOARD MEMBERS AND THE PANAMANIAN DEPUTY ADMINISTRATOR/ADMINISTRATOR WILL BE PROPOSED BY PANAMA AND APPOINTED BY THE UNITED STATES. PANAMANIAN WILL PARTICIPATE INCREASINGLY IN THE CANAL'S OPERATION AT ALL LEVELS.

-- CANAL OPERATING AND DEFENSE AREAS. WHILE THE CANAL ZONE AS SUCH WILL CEASE TO EXIST AT THE TREATY'S START, THE UNITED STATES WILL CONTINUE TO HAVE ACCESS TO AND THE RIGHTS TO USE ALL LAND AND WATER AREAS AND INSTALLATIONS NECESSARY FOR THE OPERATION, MAINTENANCE AND DEFENSE OF THE CANAL DURING THE TREATY PERIOD. USE OF OVER HALF OF THE AREA OF THE PRESENT CANAL ZONE WILL PASS TO PANAMA WHEN THE TREATY ENTERS INTO FORCE. A JOINT AUTHORITY WILL COORDINATE PORT AND RAILROAD ACTIVITIES.

-- NEUTRALITY. PANAMA AND THE UNITED STATES WILL MAINTAIN A REGIME PROVIDING FOR THE PERMANENT NEUTRALITY OF THE CANAL INCLUDING NON-DISCRIMINATORY ACCESS AND TOLLS FOR MERCHANT AND NAVAL VESSELS OF ALL NATIONS. UNITED STATES

AND PANAMANIAN WARSHIPS WILL BE ENTITLED TO EXPEDITIOUS PASSAGE OF THE CANAL AT ALL TIMES. OUR FREEDOM OF ACTION TO MAINTAIN THE CANAL'S NEUTRALITY IS NOT LIMITED BY THE TREATY.

-- ECONOMIC ARRANGEMENTS. DURING THE TREATY'S LIFE PANAMA WILL RECEIVE AN ANNUAL PAYMENT FROM TOLL REVENUES OF 30 CENTS (TO BE ADJUSTED PERIODICALLY FOR INFLATION) PER PANAMA CANAL TON TRANSITTING THE CANAL. PANAMA WILL ALSO RECEIVE A FIXED SUM OF DOLS 20 MILLION PER ANNUM, PLUS AN ADDITIONAL DOLS 10 MILLION IF CANAL REVENUES PERMIT. IN ADDITION, THE UNITED STATES WILL COOPERATE WITH PANAMA OUTSIDE THE TREATY, TO PROMOTE PANAMA'S DEVELOPMENT
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AND STABILITY. TO THIS END, THE U.S. IS PREPARED TO INITIATE WITH PANAMA LOANS AND GUARANTEES OF DOLS 345 MILLION OVER THE NEXT SEVERAL YEARS TO BE IMPLEMENTED UNDER EXISTING STATUTORY PROGRAMS. THIS PROGRAM WOULD UTILIZE THE RESOURCES OF THE EXPORT-IMPORT BANK, THE HOUSING INVESTMENT GUARANTEE PROGRAM, THE OVERSEAS PRIVATE INVESTMENT CORPORATION AND THE SECURITY ASSISTANCE PROGRAM. NO MAJOR INCREASE IS CONTEMPLATED IN AID LOANS AND GRANTS.

-- SEA-LEVEL CANAL. PANAMA AND THE UNITED STATES COMMIT THEMSELVES JOINTLY TO STUDY THE FEASIBILITY OF A SEA-LEVEL CANAL AND, IF THEY AGREE THAT SUCH CANAL IS NECESSARY, TO NEGOTIATE MUTUALLY AGREEABLE TERMS FOR ITS CONSTRUCTION.

-- JURISDICTION. PANAMA WILL ASSUME GENERAL TERRITORIAL JURISDICTION OVER THE PRESENT CANAL ZONE AT THE TREATY'S START. UNITED STATES CRIMINAL JURISDICTION OVER ITS NATIONALS WILL BE PHASED DOWN DURING THE FIRST THREE YEARS OF THE TREATY. THEREAFTER, PANAMA WILL EXERCISE PRIMARY CRIMINAL JURISDICTION WITH THE UNDERSTANDING THAT IT MAY WAIVE JURISDICTION TO THE UNITED STATES. U.S. CITIZEN EMPLOYEES AND THEIR DEPENDENTS CHARGED WITH CRIMES WILL BE ENTITLED TO PROCEDURAL GUARANTEES AND WILL BE PERMITTED TO SERVE ANY SENTENCES IN THE UNITED STATES IN ACCORDANCE WITH A RECIPROCAL ARRANGEMENT.

-- DURATION. THE BASIC TREATY WILL TERMINATE ON DECEMBER 31, 1999. OUR MILITARY PRESENCE WILL CEASE AT THE TREATY'S END.

-- U.S. CITIZEN EMPLOYEES. NEW EMPLOYEES WILL GENERALLY BE ROTATED EVERY FIVE YEARS. PRESENT EMPLOYEES OF THE
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CANAL COMPANY AND CANAL ZONE GOVERNMENT MAY CONTINUE TO WORK FOR THE NEW AGENCY UNTIL THEIR RETIREMENT OR UNTIL THE TERMINATION OF THEIR EMPLOYMENT FOR ANY OTHER REASON.

THE PRESENT NUMBER OF SUCH EMPLOYEES WILL BE REDUCED 20 PERCENT DURING THE FIRST FIVE YEARS OF THE TREATY. ANY EMPLOYEE WHOSE JOB IS ADVERSELY AFFECTED BY THE TREATY WILL RECEIVE JOB PLACEMENT PRIORITY IN ACCORDANCE WITH CIVIL SERVICE RULES. ALL WILL ENJOY RIGHTS AND PROTECTIONS SIMILAR TO THOSE OF UNITED STATES GOVERNMENT EMPLOYEES ELSEWHERE ABROAD. PRESENT EMPLOYEES WILL HAVE ACCESS TO MILITARY POSTAL, PX AND COMMISSARY FACILITIES FOR THE FIRST FIVE YEARS OF THE TREATY.

-- LABOR. TERMS AND CONDITIONS OF EMPLOYMENT WILL GENERALLY BE NO LESS FAVORABLE TO PERSONS ALREADY EMPLOYED THAN THOSE IN FORCE IMMEDIATELY PRIOR TO THE START OF THE TREATY. WHILE HIRING POLICY WILL PROVIDE PREFERENCES FOR PANAMANIAN APPLICANTS, NO EMPLOYEE SHALL LOSE HIS OR HER EMPLOYMENT BECAUSE OF NATIONALITY, SEX OR RACE. WITH REGARD TO BASIC WAGES THERE SHALL BE NO DISCRIMINATION ON THE BASIS OF NATIONALITY, SEX OR RACE. THE UNITED STATES WILL PROVIDE AN APPROPRIATE EARLY RETIREMENT PROGRAM. PERSONS EMPLOYED IN ACTIVITIES TRANSFERRED TO PANAMA WILL TO THE MAXIMUM EXTENT POSSIBLE BE RETAINED BY PANAMA. PANAMA AND THE UNITED STATES WILL COOPERATE IN PROVIDING APPROPRIATE HEALTH AND RETIREMENT PROGRAMS.

HISTORY OF THE NEGOTIATIONS. THE NEGOTIATIONS, EXTENDING OVER THIRTEEN YEARS, HAVE BEEN PURSUED BY FOUR ADMINISTRATIONS OF BOTH PARTIES. THEY BEGAN IN 1964, FOLLOWING A SERIOUS CRISIS IN U.S.-PANAMANIAN RELATIONS CREATED BY RIOTING ALONG THE CANAL ZONE BOUNDARY IN WHICH 20 PANAMANIANS AND 4 AMERICANS WERE KILLED. IN DECEMBER 1964, PRESIDENT JOHNSON, AFTER CONSULTING WITH PRESIDENTS EISENHOWER AND TRUMAN, ANNOUNCED THAT THE U.S. WOULD BEGIN CONFIDENTIAL

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TALKS WITH PANAMA ON AN ENTIRELY NEW CANAL TREATY. THESE NEGOTIATIONS RESULTED IN DRAFT TREATIES THAT WERE NOT ACTED ON BY EITHER COUNTRY. THE PRESENT SERIES OF NEGOTIATIONS BEGAN IN 1973 WITH THE APPOINTMENT OF AMBASSADOR BUNKER AS CHIEF NEGOTIATOR BY PRESIDENT NIXON AND CONTINUED DURING THE FORD ADMINISTRATION. PRESIDENT CARTER DECIDED TO CONTINUE THE NEGOTIATIONS AFTER TAKING OFFICE IN JANUARY 1977 AND APPOINTED AMBASSADOR SOL LINOWITZ TO SERVE AS CO-NEGOTIATOR WITH AMBASSADOR BUNKER. THE DEPARTMENT OF DEFENSE HAS BEEN AN ACTIVE PARTICIPANT IN THE NEGOTIATIONS AND HAS BEEN REPRESENTED BY LT. GEN. WELBORN G. DOLVIN.

DATA ON THE PANAMA CANAL.

-- DESCRIPTION. THE CANAL IS 51 MILES LONG. IT IS A LOCK CANAL, OPERATING BY GRAVITY FLOW OF WATER FROM - SPECIALLY CONSTRUCTED RESERVOIRS.

COST: IT IS EXTREMELY DIFFICULT TO PROVIDE A SINGLE FIGURE FOR THE COST OF THE CANAL. THE CONSTRUCTION COST TO THE UNITED STATES AT THE TIME OF COMPLETION OF THE CANAL IN 1914 WAS DOLS 387 MILLION. THE AMOUNT OF UNRECOVERED U.S. INVESTMENT IN THE CANAL IS DOLS 752 MILLION. THE CURRENT BOOK VALUE OF THE CANAL AND RELATED FACILITIES IS DOLS 561.5 MILLION.

-- WORK FORCE. THE CANAL ENTERPRISE EMPLOYS 13,139 PERSONS, OF WHOM 27 PERCENT ARE U.S. CITIZENS. ALMOST ALL OF THE OTHERS ARE PANAMANIAN.

-- DEFENSE. THE UNITED STATES MAINTAINS SEVEN MILITARY BASE AREAS IN THE CANAL ZONE. TOTAL UNITED STATES MILITARY PERSONNEL ARE 9300.

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-- FINANCIAL CONDITION. BY LAW THE CANAL IS REQUIRED TO MEET ITS OWN OPERATING COSTS. UNTIL 1973 IT DID SO. IT HAS SHOWN A NET OPERATING LOSS EACH YEAR SINCE 1973, WITH THE RESULT THAT TOLLS HAVE BEEN RAISED -- THE FIRST TOLL INCREASES SINCE THE CANAL WAS OPENED.

IMPORTANCE TO U.S. TRADE. OF ALL THE FOREIGN TRADE GOING IN AND OUT OF U.S. SEAPORTS, 7.0 PERCENT PASSED THROUGH THE PANAMA CANAL IN 1976. THIS COMPARES WITH 13 PERCENT IN 1949. CHRISTOPHER

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